

STATE OF UTAH INSURANCE DEPARTMENT
REPORT OF MARKET CONDUCT EXAMINATION
of

BENEFICIAL LIFE INSURANCE COMPANY

36 South State Street
Salt Lake City, Utah 84136-0001
NAIC Company Code Number: 61395

as of
June 30, 2004

(Filed February 23, 2005)

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January 31, 2005

The Honorable D. Kent Michie
Insurance Commissioner
Utah Insurance Department
State Office Building, Room 3110
Salt Lake City, Utah 84114

In accordance with your instructions, a limited examination has been made of market conduct practices of

BENEFICIAL LIFE INSURANCE COMPANY
Salt Lake City, Utah

a domestic stock life insurance company, hereinafter referred to as the Company, as of June 30, 2004. The report of such examination is herein respectfully submitted.

FOREWORD

The market conduct examination report is, in general, a report by exception. Reference to the Company's practices, procedures, or files subject to review may be omitted if no improprieties are encountered by the examiner.

SCOPE OF EXAMINATION

This limited scope target examination was conducted by an examiner representing the Utah Insurance Department in accordance with the Model Market Conduct Examination Handbook of the National Association of Insurance Commissioners and Utah Code Annotated (U.C.A.) 31A-2, Administrations of the Insurance Laws. The period covered by the examination was July 1, 2003 to June 30, 2004.

The purpose of the examination was to determine the Company's compliance with the Utah Insurance Code (U.C.A. 31A), and Rules promulgated by the Utah Insurance Department as contained in the Utah Administrative Code (U.A.C.) applicable to U.C.A. 31A, as pertains to the Company's form filing practices in the life insurance market.

EXECUTIVE SUMMARY

The examiner reviewed individual and group new business issued by the Company in Utah during the examination period, along with the corresponding individual and group policy forms filed by the Company. The examiner also reviewed all policy forms filed by the Company during the examination period. The following discrepancies were noted as a result of that review.

In four cases involving individual forms and in all of the cases reviewed involving group forms, the forms used in the production of new issued business varied from the forms that the Company filed with the Utah Insurance Department. Additionally, non-compliant language was noted in three of the group forms reviewed.

These discrepancies were determined to be in violation of Utah insurance laws. The examiner's recommendations for correcting the discrepancies are provided in the Summarization section located at the end of this report.

EXAMINATION FINDINGS

Individual Policies/Policy Forms:

The examiner reviewed 15 randomly selected samples of individual life insurance and annuity policies issued in Utah during the examination period. The policies reviewed represented one randomly selected duplicate policy for each of the 15 individual policy contract forms that the Company identified as having been used by the Company in Utah for new issues during the examination period. The duplicate policies reviewed were taken from the Company's production system, complete with all forms used in the policies, including any riders, endorsements, applications, etc. The examiner also reviewed all individual forms filed by the Company during the examination period, as well as the form filings for each of the 15 individual policy contract forms that were used for new issues in Utah during the examination period, but filed for use during an earlier period. The form filings were reviewed in order to review policy language and to determine compliance with form filing requirements, and to compare the forms used in the production of new issued business with the Company's filed forms.

In four of the 15 sample cases reviewed, the forms that the Company used in the production of new business varied from the forms that were filed with the Utah Insurance Department. Using a form that varies from the filed form is considered use of an un-filed form and is a violation of Utah Code Annotated (U.C.A.) Subsection 31A-21-201(1).

Similar findings pertaining to individual form filings were noted in the previous market conduct examination report filed December 31, 2002. As a result of those earlier findings, the examiner recommended in the previous report that "procedures be implemented to ensure that the forms used in the production of newly issued business are the same as the applicable forms filed with the department." The Company submitted supplemental form filings to correct discrepancies in the forms that were uncovered during the previous examination. However, during the current examination it was found that in one of the cases involving those re-filed forms, the Company subsequently issued new business on a form that varied from the corrected filed form. In the remaining current examination cases in which forms used for new business varied from the filed forms, the involved forms were separate and distinct from the forms noted in the prior examination findings. Hence, the finding of using un-filed forms continues to exist.

Group Policies/Policy Forms:

The examiner reviewed three randomly selected samples of group life insurance policies issued in Utah during the examination period. The policies reviewed were randomly selected duplicate policies representing the basic and supplemental group policy contract and corresponding certificate forms that the Company identified as having been used by the Company in Utah for new issues during the examination period. The duplicate policies reviewed were taken from the Company's production system and included a copy of the completed applications pertaining to those issued policies. The Company informed the examiner that no group forms were filed during the examination period. However, the examiner did review the filed form filings for group policy contract forms that were used for new issues in Utah during

the examination period, including the corresponding insurance certificates filed. The form filings were reviewed in order to review policy language and to determine compliance with form filing requirements, and to compare the Company's filed forms with the forms used in the production of new issued business.

In all three of the sample cases reviewed, the forms that the Company used in the production of new business varied from the forms that were filed with the Utah Insurance Department. Using a form that varies from the filed form is considered use of an un-filed form and is a violation of U.C.A. Subsection 31A-21-201(1). Additionally, the examiner noted that language in one of the group policy contract forms and two of the certificate forms was non-compliant with U.C.A. Section 31A-21-312.

SUMMARIZATION

Comments included in this report which are considered to be significant and requiring special attention are summarized below:

1. In four of the 15 individual sample cases reviewed and all three of the group sample cases reviewed, the forms that the Company used in the production of new business varied from the forms that were filed with the Utah Insurance Department. Using a form that varies from the filed form is considered use of an un-filed form and is a violation of Utah Code Annotated (U.C.A.) Subsection 31A-21-201(1). As in the previous examination report, the examiner again recommends procedures be implemented to ensure that the forms used in the production of new business are the same as the applicable forms filed with the department.
2. In one of the group policy contract forms and two of the certificate forms reviewed, language was used that was non-compliant with U.C.A. Section 31A-21-312. The examiner recommends that the Company re-file the forms with compliant language.

ACKNOWLEDGMENT

The cooperation and assistance rendered by the officers and employees of the Company during this examination is hereby acknowledged and appreciated.

In addition to the undersigned, other Utah Insurance Department personnel assisted in the examination.

Randal A. Overstreet, CIE, FLMI
Market Conduct Examiner
Examiner-in-Charge
Utah Insurance Department